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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000386

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STATE PASS USAID FOR NFREEMAN, GBERTOLIN
DOC FOR 3317/ITA/OA/KBURRESS
DOC FOR 3310/USFC/OIO/ANESA/DHARRIS
DOC FOR USPTO-PAUL SALMON
DOJ FOR MARI-FLORE KOUAME
TREASURY FOR RHALL, DPETERS
STATE PASS EXIM FOR JRICHTER
STATE PASS OPIC FOR ZHAN, MSTUCKART, JEDWARDS
STATE PASS TDA FOR LFITTS, PMARIN

E.O. 12958: DECL: 09/23/2019
TAGS: ECON ECPS PGOV NI
SUBJECT: NIGERIA'S ICT NETWORK: BUILD IT AND THEY WILL COME

Classified By: A/CG J. Richard Walsh for reasons 1.4 (B) & (D)

¶1. (SBU) SUMMARY: The Information and Communications Technology (ICT) industry in Nigeria is set for exponential growth in the next twelve months. Bandwidth will triple, potentially lighting up the empty fiber optic network and populating the country's various cell towers with multiple antennae. Companies will need to turn their networks and towers over to more efficient third parties for this to happen effectively. The ICT industry needs to develop regulations that address the specific needs of its membership. Wireless Internet is being embraced. END SUMMARY

Nigeria's World Wide Web Connection to Triple

¶2. (SBU) Main One CEO Funke Opeke, who heads a fiber optic cable company, stated on September 8 that their undersea cable should be landed in Lagos in March 2010. According to Opeke, UBA Divisional Head Yomi Odedeyi, and Starcomms CEO Maher Qubain, Main One competitor Glo will see their own cable landed around the same time. The bottleneck from Nigeria to the overall World Wide Web will be eased once the Main One and Glo cables are landed and operational.

¶3. (SBU) Nigeria is awash with fiber optic cables with each company building its own fiber optic network and towers. Only 20 percent of the fiber optic network is being used, according to IHS Managing Director William Soad, who manages a telecom infrastructure provider. The pressure will grow to merge network operations as each company experiences higher costs in maintaining its system of towers.

Over-Built Means Opportunity

¶4. (C) Both Soad and Qubain see the excess capacity in the existing network as an opportunity. Qubain sees "dark fiber" (fiber optic with no light running through it) as an opportunity for Starcomms. Qubain wants to be able to either lease this dark fiber or run his own strands of fiber through the existing PVC pipe that houses the cable.

¶5. (C) Soad wants IHS to operate the towers for all telecoms in Nigeria. IHS's strategy is to have at least two companies per tower with a minimum 15-year lease. IHS wants to charge USD 5,000 per month, per customer. This will cover switching out equipment at USD 24,000 every three years.

Expansion Restricted by Power

¶6. (SBU) The lak of steady electricity is the bane of business in Nigeria. This also applies to telecoms, where it takes two generators to operate a single tower. According to SWAP Technologies CFO Abidoun Oke, who represents a telecom infrastructure provider, each tower generator uses 60 litres of diesel costing 6,000 naira per week.

Green Power not Fiscally Feasible

¶7. (SBU) Both SWAP and IHS have also pursued wind and solar power to run their towers. Unfortunately, the GON considers only the turbine part of the wind generator as green energy and therefore eligible for lower import tariffs. Everything that supports the wind turbine (batteries, superstructure, etc.) has higher tariffs. For solar energy, there is no functional national grid for off-loading power. Batteries must be used and are also not considered green energy by the GON.

Market Remains Untapped

¶8. (C) Qubain thinks that there are three to five years of profit making until the market matures. Currently, only five percent of the Internet market and 45 percent of the cell phone market have been penetrated. There are 30 million youth awaiting service in these domains who will expect a new

handset every six months and will often subscribe to more than one cellular service. Qubain, Odedeyi and Opeke state that there must be new or additional Internet Service Provider (ISP) rules and regulations to allow for collocation on towers (more than one company using a tower) and proper formation of an ISP to take advantage of this market. Currently "anyone with two VSAT dishes can become an ISP," according to Opeke of Main One. There are hundreds of ISP providers in Nigeria, but only a handful can afford services like Main One's.

¶9. (C) Suburban Telecom Director of Sales Krishnan Ranganath said on September 7 that Suburban's primary strategy is to build a second backbone connecting to the SAT-3 cable from Togo. Suburban learned its lesson last August when its only connection to SAT-3, in Benin, was cut. Suburban also wants to expand in step with regional banks in the major cities of Port Harcourt, Kano, Kaduna and Benin City.

Growth of Wireless Internet

¶10. (SBU) Many of the company reps also mentioned WiMAX (Wireless Internet) technologies. Cell phone use has grown exponentially in Africa, partly due to the minimal infrastructure required, and Internet access will also benefit from WiMAX. Eventually, fiber optic cable can be run to most areas of Nigeria. In the meantime, companies such as Suburban and Starcomms will be promoting WiMAX.

¶11. (U) This cable has been coordinated with Embassy Abuja.
WALSH